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PUBLIC SERVICE  
COMMISSION

**AGREEMENT FOR ELECTRIC SERVICE**

**AGREEMENT** made May 11, 2009, between KENERGY CORP, 6402 Old Corydon Road, Henderson, Kentucky 42420 (hereinafter called the "Seller"), and Armstrong Coal Company, Inc. with a service address at Equality Surface Mine, 482 Bluff Lane, Centertown, Kentucky 42328 and corporate address at 407 Brown Road, Madisonville, Kentucky 42431, (hereinafter called the "Consumer"), a corporation.

The Seller shall sell and deliver to the Consumer, and the Consumer shall purchase all of the electric power and energy, which the Consumer may need at the aforementioned service address, up to 4,600 kilowatts (the "Maximum Demand"), except as otherwise provided herein, upon the following terms:

1. **SERVICE CHARACTERISTICS**

- A. Service hereunder shall be alternating current, 3 phase, sixty cycles, nominal 69,000 volts.
- B. The Consumer shall not use the electric power and energy furnished hereunder as an auxiliary or supplement to any other source of power and shall not sell electric power and energy purchased hereunder.
- C. The Consumer acknowledges that Seller's wholesale power supplier is transmitting electric power and energy to Seller for sale hereunder across the transmission system of Kentucky Utilities Company (the "KU System").

2. **PAYMENT**

- A. The Consumer shall pay the Seller for service hereunder on and after the "Service Commencement Date" (as defined in Section 6 of this agreement) at the rates and upon the terms and conditions set forth in Seller's Schedule 33, as it may be amended from time to time. A copy of Seller's current Schedule 33 is attached to and made a part of this Agreement as Exhibit "A." Notwithstanding any provision of the Schedule 33 and irrespective of Consumer's requirements for or use of electric power and energy, the demand for billing purposes hereunder shall be not less than 300 kilowatts per billing period (per month) through the calendar month of September, 2009; and 2,760 kilowatts for any billing period (per month) thereafter. In any event, based upon Seller's current rates the Consumer shall pay the Seller not less than \$3,761.00 per month through the calendar month of September, 2009, and not less than \$33,708.00 per month for service or for having service available hereunder during the remainder of the Term hereof.
- B. **[RESERVED]**
- C. **[RESERVED]**
- D. Bills for service hereunder shall be paid at the office of the Seller at Kenergy Corp, 6402 Old Corydon Rd., Henderson, KY 42420.

- E. Such payments shall be due on the 25<sup>th</sup> day of each month for service furnished during the preceding monthly billing period.
- F. If the Consumer shall fail to make any such payment within fifteen (15) days after such payment is due, the Seller may discontinue service to the Consumer upon giving fifteen (15) days' written notice to the Consumer of its intention so to do, provided, however, that such discontinuance of service shall not relieve the Consumer of any of its obligations under this Agreement.
- G. The Consumer agrees that if, at any time, the rate under which the Seller purchases electric service at wholesale is modified, the Seller may make an equivalent modification in the rate for service hereunder.
- H. Consumer acknowledges that it has requested Seller to deliver service under this Agreement across the KU System. Accordingly, Consumer further agrees to pay, on the terms stated in this Section 2, any charges payable by Seller's wholesale power supplier under the Kentucky Utilities Company ("KU") open access transmission tariff arising out of, related to or connected with providing service to Consumer under this Agreement that are billed to Seller by its wholesale power supplier, and to Consumer by Seller. Consumer further acknowledges that transmission capacity across the KU System is reserved and paid for on an annual basis. Seller agrees that if this Agreement is terminated, Seller will use reasonable

commercial efforts to mitigate Consumer's exposure to costs for transmission capacity on the KU System that has been reserved for purposes of performing this Agreement, but which will be unutilized for those purposes following the termination of this Agreement.

- I. Consumer's payment obligations under this Section 2 shall survive termination of this Agreement.

3. **MEMBERSHIP**

The Consumer shall become a member of the Seller, shall pay the membership fee and be bound by such generally applicable rules and regulations as may from time to time be adopted by the Seller.

4. **CONTINUITY OF SERVICE**

The Seller shall use reasonable diligence to provide a constant and uninterrupted supply of electric power and energy hereunder. If the supply of electric power and energy shall fail or be interrupted, or become defective through act of God, governmental authority, action of the elements, public enemy, accident, strikes, labor trouble, required maintenance work, inability to secure right-of-way, or any other cause beyond the reasonable control of Seller, then Seller shall not be liable therefor or for damages caused thereby.

5. **RIGHT OF ACCESS**

Duly authorized representatives of the Seller shall be permitted to enter the Consumer's premises at all reasonable times in order to carry out the provisions hereof.

6. **TERM AND SERVICE COMMENCEMENT DATE**

This Agreement shall become effective upon the approval or acceptance referred to below in Section 8, and shall remain in effect until ten (10) years following the start of the initial billing period and thereafter until and unless terminated by either party giving to the other three (3) months notice in writing (the "Term"). Delivery of electric service under this agreement shall commence on the date specified in a written notice from Consumer to Seller, but in any event shall commence no later than July 1, 2009 (the "Service Commencement Date").

7. **CONSUMER CONTRIBUTION, TERMINATION CHARGE AND DEPOSIT**

A. Extension of service to Consumer's delivery point requires construction of certain facilities (the "Facilities") by Seller's wholesale power supplier (the "Big Rivers Facilities") and the transmission provider (the "KU Facilities," and, together with the Big Rivers Facilities, the "Facilities"). A description of the Facilities is contained in Addendum 1.20, and is shown, in part, on the attached Exhibit B.

B. Seller currently estimates the cost of providing the Big Rivers Facilities will be \$210,000. Consumer shall be responsible for the actual cost to Seller (or Seller's wholesale power supplier) of the Big Rivers Facilities (the "Big Rivers Facilities Cost") on the terms stated in this Section 7.

C. Seller currently estimates the cost of providing the KU Facilities will be \$277,000. Consumer shall be responsible for the actual cost to Seller (or Seller's wholesale power supplier) of the KU Facilities (the "KU Facilities

Cost”) on the terms stated in this Section 7, and shall have the benefit of any terms for payment of those costs that may be available to Seller (or Seller’s wholesale power supplier) from KU. If alternate terms for payment of the KU Facilities Cost are available from KU, Consumer may select the payment terms it prefers, with the consent of Seller, provided that Seller’s selection shall be made on a timely basis as is required to meet KU’s schedule for that selection. Seller will bill Consumer for the actual cost to Seller of the KU Facilities Cost on Consumer’s monthly invoice for electric service, and the amount billed for the KU Facilities Cost will be due and payable on the same terms applicable to other charges for electric service in that invoice. The portion of the total KU Facilities Cost that appears on any monthly invoice to Consumer shall reasonably reflect the terms available to Seller (or Seller’s wholesale power supplier) from KU for payment of the total KU Facilities Cost.

D. Upon the termination of this Agreement for any reason, in addition to any other amounts due under this Agreement, Consumer shall pay Seller a termination charge (the “Termination Charge”) equal to the sum of (i) the portion of the KU Facilities Cost which remains unpaid by Consumer on the termination date, and (ii) the Big Rivers Facilities Cost, provided, however, that the Termination Charge, when due, shall be credited by \$0.90 per kilowatt (including kilowatts implicit in a minimum bill) paid for by Consumer under this Agreement up to and including the date of such termination, with the maximum credit not to exceed the actual cost of the Big Rivers

Facilities. As security for payment of the Termination Charge, Consumer has provided Seller with the delivery of this Agreement a cash deposit or an irrevocable bank letter of credit in the amount of \$210,000, and Seller hereby acknowledges receipt of same. Consumer agrees that within 30 days after Seller notifies Consumer of the final amounts of the Big Rivers Facilities Cost and the KU Facilities Cost, the amount of this cash deposit or irrevocable bank letter of credit shall be adjusted to equal the sum of (x) Seller's obligation for the KU Facilities Cost, reduced by the portion of Consumer's first payment or payments attributable to the KU Facilities Cost, and (y) the Big Rivers Facilities Cost, credited by \$0.90 per kilowatt (including kilowatts implicit in a minimum bill) paid for by Consumer under this Agreement. Consumer agrees that if this agreement is terminated before completion of the construction of the Big Rivers Facilities and the KU Facilities, Consumer will pay to Seller the portion of the Big Rivers Facilities Cost and the KU Facilities Cost incurred or irrevocably committed prior to receipt by Seller of notice of termination of this agreement, and those costs may be offset against the amounts held by Seller as security for payment of said costs.

E. As security for payment of its monthly billing obligations, Consumer shall further be required to provide Seller a cash deposit or provide an irrevocable bank letter of credit representing two (2) months' estimated billing, being the total amount of \$184,745.00 on the date of this Agreement, and Seller hereby acknowledges receipt of same.

F. Any cash deposit will earn interest in accordance with law, and interest earned will be paid annually to Consumer. Letters of credit for the foregoing securities may be combined, and must be approved in advance by Seller as to form and issuer. Annually the Parties shall adjust the deposit or bank letter of credit required by Paragraph 7(E) reasonably to reflect changes in the amounts of the obligations of Consumer secured by the deposit or bank letter(s) of credit. The Parties shall adjust the deposit or bank letter of credit required by Paragraph 7(D) to reflect changes in the amounts of the obligations of Consumer secured by the deposit or bank letter of credit whenever requested by Consumer, but not more frequently than twelve times in any calendar year.

G. Consumer's obligations under this Section 7 shall survive termination of this Agreement.

8. **SUCCESSION AND APPROVAL**

This Agreement shall be binding upon and inure to the benefit of the successors, legal representatives and assigns of the respective parties hereto and may be assigned by Consumer with the consent of Seller, which consent shall not be unreasonably withheld. Any assignment of this Agreement by Consumer shall not relieve Consumer of its obligations to Kenergy hereunder unless Consumer has been expressly relieved of those obligations by Kenergy, in writing. This contract shall not be effective unless approved or accepted in writing by the Kentucky Public Service Commission.



9. **ADDENDA**

The addenda to this agreement are attached hereto and incorporated herein as a part of this agreement for electric service.

10. **INDEMNIFICATION**

Consumer agrees to indemnify and hold Seller harmless from and against any and all claims, demands, damages, judgments, losses or expenses asserted against Seller by or on behalf of KU arising out of, related to or concerning damage to the KU System, or any system or electric consuming facilities connected to the KU System resulting from Consumer's operations, activities or usage of electric power and energy hereunder.

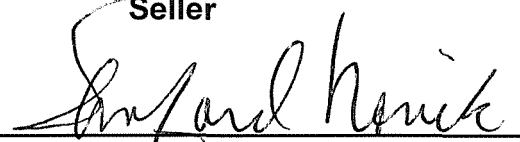
11. **NOTICE TO BIG RIVERS ELECTRIC CORPORATION**

Any notice from Consumer to Seller required by the terms of this Agreement shall be given concurrently to Big Rivers Electric Corporation, 201 Third Street, Henderson, KY 42420, Attn: President and CEO, using the same methodology required by this Agreement for notice to Kenergy.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement all as of the day and year first above written.

**KENERGY CORP.**

**Seller**

By 

Printed Name Sanford Novick

Title President and CEO

ARMSTRONG COAL COMPANY, INC.  
Consumer

By Martin D. Wilson

Printed Name Martin D. Wilson

Title President



Henderson, Kentucky

FOR ALL TERRITORY SERVED

Community, Town or City

PSC NO. 2Original SHEET NO. 33CANCELLING PSC NO. 1SHEET NO.**CLASSIFICATION OF SERVICE**

T

Schedule 33 – Large Industrial Customers Served Under Special Contract  
(Dedicated Delivery Points) - (Class C)

N

APPLICABLE

In all territory served.

AVAILABILITY OF SERVICE

T

This rate shall apply to existing large customers where service is provided through a dedicated delivery point connected to the transmission system of Big Rivers or other accessible system classified as Class C customers, or new customers executing special contracts approved by the Kentucky Public Service Commission.

TYPE OF SERVICE

The electric service furnished under this schedule will be three-phase sixty cycle, alternating current at available nominal voltage.

RATE

T

Customer Charge per Delivery Point \$100.00 per Month

Plus:

Demand Charge per KW of Billing Demand in Month \$ 10.15

Plus:

Energy Charges:

Per KWH \$0.016715

R

Facilities Charge 1.30%

(times assigned dollars of Kenergy investment for facilities per month-see Sheet No.33B)

DETERMINATION OF BILLING DEMAND

The Billing Demand in kilowatts shall be the higher of: a) The customer's maximum integrated thirty-minute demand at such delivery point during each billing month, determined by meters which record at the end of each thirty-minute period the integrated kilowatt demand during the preceding thirty minutes; or b) the Contract Demand.

POWER FACTOR ADJUSTMENT

T

The customer agrees to maintain a power factor as nearly as practical to unity. Kenergy will permit the use of apparatus that shall result, during normal operation, in a power factor not lower than 90%. At Kenergy's option, in lieu of the customers providing the above corrective equipment when power factor is less than 90%, Kenergy may adjust the maximum measured demand for billing purposes in accordance with the following formula:

DATE OF ISSUE January 29, 2009

Month / Date / Year

DATE EFFECTIVE February 1, 2009

Month / Date / Year

ISSUED BY \_\_\_\_\_

(Signature of Officer)

TITLE President and CEO

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2008-00323 DATED January 29, 2009



Henderson, Kentucky

FOR ALL TERRITORY SERVED  
 Community, Town or City  
 PSC NO. 2  
Original SHEET NO. 33A  
 CANCELLING PSC NO. 1  
 SHEET NO. \_\_\_\_\_

T

CLASSIFICATION OF SERVICE	
Schedule 33 – Large Industrial Customers Served Under Special Contract (Dedicated Delivery Points) - (Class C)	

Max. Measured KW x 90%  
Power Factor (%)

The power factor shall be measured at time of maximum load.

METERING

T

Electrical usage will be metered at the transmission voltage supplied or at the customer's secondary voltage with a 1.% adder to the metered KWH to account for transformer losses, as determined by Kenergy.

N

ADJUSTMENT CLAUSES

The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

↓

Renewable Resource Energy Service Rider	Sheets No. 23 – 23D
Price Curtailable Service Rider	Sheets No. 42 – 42C

N

AGREEMENT

An "agreement for purchase of power" shall be signed by any new customer prior to service under the rate. Should the provisions of the expansion rate contained on Sheets No. 41-41G apply, additional language incorporating those provisions will be added to the agreement.

T

TAXES AND FEES

School Taxes added if applicable.

T

Kentucky Sales Taxes added if applicable.

FRANCHISE CHARGE

T

The rate herein provided shall include, where applicable, an additional charge for local government franchise payment determined in accordance with the Franchise Billing Plan as set forth on Sheet No. 105.

TERMS OF PAYMENT

T

The above rates are net, the gross rate being five percent (5%) greater. In the event the current monthly bill is not paid within twenty (20) days from the date the bill was rendered, the gross rate will apply.

DATE OF ISSUE January 29, 2009  
 Month / Date / Year

DATE EFFECTIVE February 1, 2009  
 Month / Date / Year

ISSUED BY \_\_\_\_\_  
 (Signature of Officer)

TITLE President and CEO

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2008-00323 DATED January 29, 2009



Henderson, Kentucky

FOR ALL TERRITORY SERVED

Community, Town or City

PSC NO. 2Original SHEET NO. 33BCANCELLING PSC NO. 1SHEET NO.**CLASSIFICATION OF SERVICE**

Schedule 33 - Large Industrial Customers Served Under Special Contract  
(Dedicated Delivery Points) - (Class C)

**DETERMINATION OF FACILITIES CHARGE RATE**

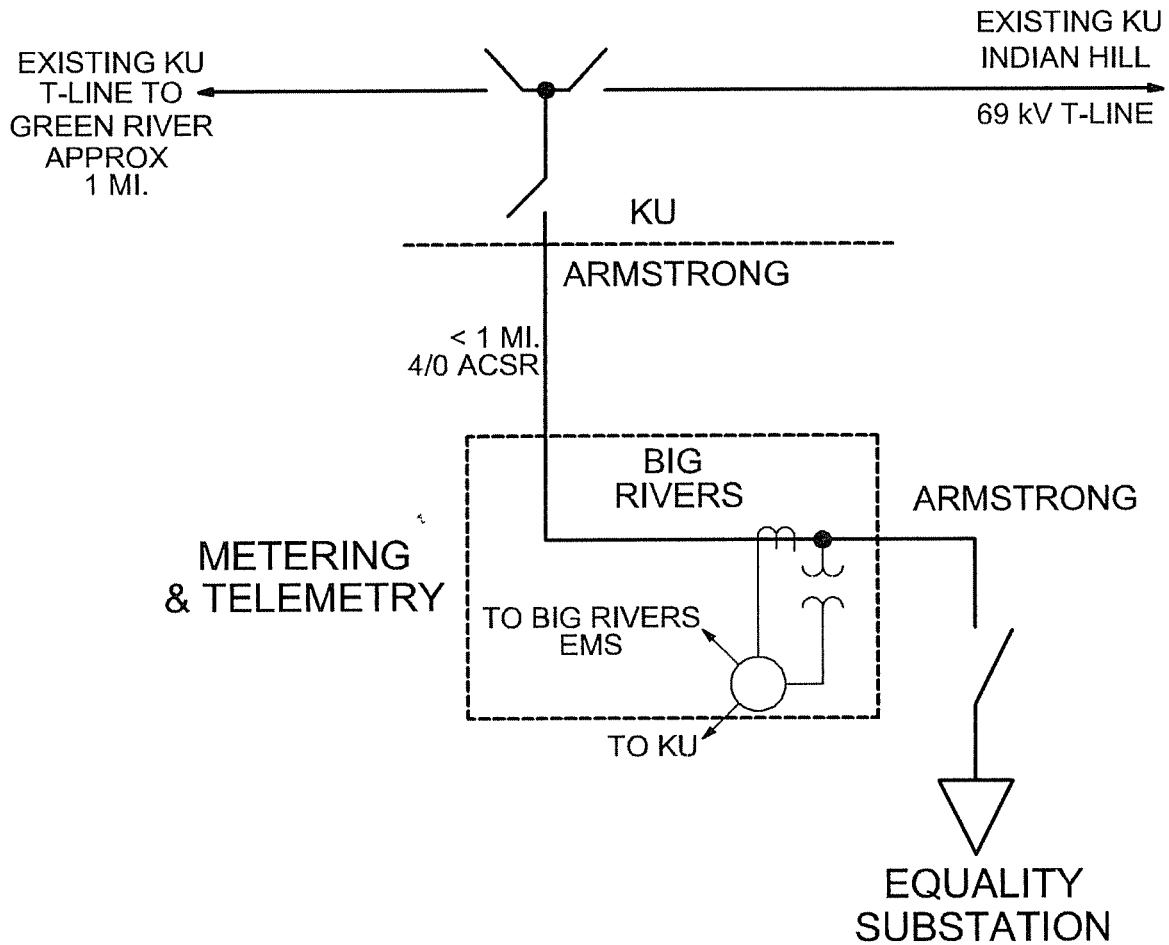
<u>Line</u> <u>No.</u>	<u>Item</u>	<u>Total</u>
1	Distribution O&M Expense (Sub, Primary, Transf. & Sec.)	\$ 10,454,420
2	Distribution Plant @ Year End (Sub, Primary, Transf. & Sec.) ÷	<u>\$197,881.862</u>
3	Dist. Exp. Cost Factor (Line 1/Line 2)	5.28%
4		
5	Test Year A&G Acct. Expense	\$ 2,675,680
6	Test Year O&M Expense Excluding A&G ÷	<u>\$ 15,494,284</u>
7	Line 5/Line 6	17.27%
8	Dist. Expense Carrying Cost Factor (Line 3) x	<u>\$ 0.0528</u>
9	A&G Cost Factor (Line 7 x Line 8)	0.91%
10		
11	Distribution Plant Depreciation Rate	3.55%
12	Cost of Capital	6.36%
13	Amortization Factor	7.72%
14	General Plant Factor:	
15	General Plant @ Year End	\$ 20,846.828
16		
17	General Plant Depreciation Rate	10.70%
18	Not Used	0.00%
19	Amortization Factor	<u>7.72%</u>
20	General Plant Fixed Charge Rate (Line 17 + 19)	18.42%
21		
22	General Plant Fixed Charges	\$ 3,839,986
23	Total Utility Plant	\$223,696,522
24	Percent of TUP - General Plant Factor (Line 22/23)	1.72%
25	SUMMARY:	
26	O&M Factor (Line 3)	5.28%
27	A&G Factor (Line 9)	0.91%
28	Depreciation Expense (Line 11)	3.55%
29	Levelized Rate of Return	4.17%
30	General Plant Factor (Line 24)	<u>1.72%</u>
31		
32	Total Annual Carrying Cost (Line 26 - 30)	15.63%
33	PSC Assessment ÷	<u>0.998294</u>
34		
35	Adjustment Annual Carrying Cost (Line 32 x Line 35)	15.66%
36	÷	<u>12</u>
38	Monthly Facilities Rate Charge	1.30%

DATE OF ISSUE January 29, 2009  
Month / Date / YearDATE EFFECTIVE February 1, 2009  
Month / Date / YearISSUED BY \_\_\_\_\_  
(Signature of Officer)TITLE President and CEO

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2008-00323 DATED January 29, 2009

# EXHIBIT B



REV	BY	ENG	DATE	DESCRIPTION	<small>KENTUCKY 62</small> <b>BigRivers</b> <small>Electric Corporation</small>		<small>A Truistonic Energy Partner</small> <small>HENDERSON, KENTUCKY</small>	
0		RW	1-09		<b>BIG RIVERS - KU</b> <b>EQUALITY MINE</b> <b>69 kV SERVICE</b>		<b>DRAWING</b> <b>W.O. 942</b>	
A		RW	4-09					